

proximus

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Nancy Goossens: Good afternoon ladies and gentlemen, welcome to our call. Before we get started let me please remind you that for this session we are holding a webcast in addition to the audio conference, so I hope you have all received the link so that you can follow the slides that will be presented. Note that we will present a different set of slides than the ones that you received this morning.

The link to the webcast and the results release can be found on the investor relations website and this in the section of the financial results. The presentation will cover a view on the 2018 achievements and the strategy over the next three years presented by the CEO, Dominique Leroy and the CFO, Sandrine Dufour.

We have other members of the Executive Committee around the table, they joined us for the Q&A session that will start right after the presentation. So with this I think we can get started.

Dominique Leroy: Yes, thank you Nancy. Good afternoon everybody and welcome to this 2018 results presentation of Proximus. Let me start with a first look at what we have achieved in 2018. I think the first message, which is one of the most important for me is that although the market has been quite competitive we have been able to keep a very strong position and we have been able to increase our number of customers on most of our strategic products; which is fixed internet by 43,000 net adds over the year, 50,000 net adds in digital TV and 134,000 new mobile postpaid. We see decline in prepaid and of course also decline in fixed voice.

If you look at the number underneath the slide you will see that we have passed the 2 million fixed Internet, having 46.4% market share. We are around 1.6 million TV customers, 37.3% market share and we are above the 4 million postpaid customers with a global mobile market share of 39.3% with 4.8 million postpaid and prepaid customers.

If we were able to achieve these results it is mainly thanks to our strategy linked to market segmentation. Our objective is really to bring different offers for different segments in the market. Of course, with our main brand Proximus, and the family offer, which is a convergent offer, which is the Tuttimus offer, which still continues to get good traction.

But also to a different segmenting where Epic plays an important role towards millennials and you will have seen that next to the two epic products that we have already launched, epic stories and epic beats, we have just announced the launch of epic combo, but also scarlet in the no-fills segment for people wanting telecom products without a lot of additional services and also in the business, the small enterprises, where next to the BIZZ all-in we have recently launched BIZZ Online to help companies be present on the web.

If we have a bit of a deeper look in the segment we see here on the family segment with Tuttimus still strong acquisition where we have reached 508,000 customers on the Tuttimus an BIZZ all-in in 2018, which is driving good customer value and, of course, a decreasing churn. You see on the right side of the slide that we have been able to increase significantly the number of 4P customers with 40,000 by 7% up to 731,000 customers.

If we look at scarlet we have been able to really massively increase the brand awareness of scarlet, reaching now around 80% brand awareness. And although prices are the lowest on the market you need to understand that behind that there is also a very low-cost business model with simple offer digital sales where we have there low-acquisition costs, low servicing costs and low fixed-cost structure, so despite low price the profitability of scarlet is positive.

On epic you see here the products that are currently on the market, which is epic stories where millennials can have unlimited access to various apps and on top of it have 3 GB of mobile data, unlimited SMS and some call minutes. You have an epic beats version, which is the same but also with free access to music apps. And I will come back on epic combo, which is a new product, which will give free access to apps, to music but also to video.

If we look at our mobile, we have followed a bit the evolution of the market and launched in November 2018 our unlimited offer. Of course unlimited reduces a bit the out of bundle but next to that you see that it has had a very positive effect in terms of high-tier acquisition and we can give here figures where we have doubled out high-tier acquisition and that we have also since then been able to substantially diminish the churn level on our mobile post-paid, so I think it was a positive move.

But it is of course for us also a rational move where, with the Proximus unlimited, we are a bit above competition and we are not starting this type of offer, but we of course are a fast follower because we want to make sure that we keep our customers happy and that we keep our churn under control.

If we look at enterprise business, there we can see that we have invested in new, in acquisition of very specific ICT capabilities, with some recent acquisitions like Da Vinci Lab, like Codit, Ion IP; also BE Mobile portfolio, which is a company specialising in traffic management and smart mobility. We have recently acquired a similar company in France, which was called Media Mobile, whereby the BE Mobile offer can be extended from Benelux towards France, Germany and Scandinavian countries.

If you look at the evolution of ICT into our EBU portfolio you will see that we have a strong increase in revenue but even stronger increase in EBITDA, where we have been able to improve EBITDA margin by 2.5 points thanks to this strategy and the various value accretive acquisitions.

With those acquisitions we are able within our B-to-B environment to really help companies to do their digital transformation and we have enlarged our product offer and our service offer with different elements. You can see some of them here; I will not mention them all but it is mainly on the security, on the invigoration of business application and also on advanced workplace or unified communication and the managed services.

On our investments, I mean we are continuously further developing our investments in network and service platforms, with a highlight on the further enhancement of fibre, of our mobile network, but also the transport network, which is an important component, and we are further working on virtualisation of network, renewed IT system but also on our TV platforms and content.

I think it would be good now to give a bit more colour on our investments of the fibre and I think we wanted to give you some more information. So here you see that in our fibre to the home rollouts, we have already started the roll out of fibre in nine cities in 2018 and that we foresee to add seven new cities in 2019.

We have announced the launch of our fibre project at the end of 2016, so you see that 2017 was for us a bit a year where we learned a lot but we have been able to really scale up fibre investment in 2018. You see volume has tripled over the year and our objective is to double our fibre footprint in the next year, so it means in 2019. So I think there is good traction and good operationalization of our fibre deployment model over 2018.

If we look at the results of fibre, at least the results we can show today, because it is still early days, but we wanted to give you some colour of our first fibre results; we see first from a customer perspective that where we have deployed fibre we really have a significantly higher customer satisfaction versus the ones we have on copper but also versus the one that is currently available on the cable network. We also see higher ARPU on our fibre to the home customers.

And I think importantly we see that we are able to gain market share, because in the brown fields, so it means in places where we replace our copper with the fibre to the home we have around 30% of the activated fibre customers, which are new internet customers to Proximus. And in the green fields, which means in new development zones where we built new buildings, we are able to have more than 50% of our activated fibre customers that are new Internet customers to Proximus.

Next to that if you look at the cost aspects, I mean we have been able to decrease our costs by 24% between the start and the end of 2018 and we have the ambition to further decrease the cost over the next two or three years to be able to reach our €1,000 euro per household.

Bear in mind that those costs are not only the costs for home pass but are the costs for home connected, so including the active equipment, the connection and the termination costs because sometimes we know that some other figures that are given are only home pass, here we talk about home connected.

And the last element I want to highlight is that we have started to out phase copper; of course it is very early days but at least with that we think that we will be able to learn and we will be able to learn and we will be able to industrialise our copper out phasing over '19 and mainly '20.

If we look at fibre for the enterprise business, I mean we see there that on the mono sites, so for the smaller professional customers we really see very good traction. Customers are willing to take fibre. We have our uplift and so far we have been able to deploy our GPON on 48% of the industrial zonings, and of course we have started with the biggest industrial zoning.

If you look at the multi-sites, of course this is quite a more complex operation and so there we have a bit changed our approach where we are more going into reducing pre-investments and development, deployment of the fibre more on demand if we see that we have traction from the customers. By doing that we also have less cannibalisation, or very low cannibalisation between the point-to-point fibre development and the fibre GPON development, because we can then do that much more complementary. And the last element there is that you see that a bit more than a quarter of our revenue is already coming from fibre connectivity on the enterprise segment.

One word on mobile before I will give the floor to our CFO to highlight a bit more the financials; I think on mobile what is important to mention is that we really want to focus on some elements that are really driving mobile experience. And you see here the three key criteria that was are really looking at in terms of our mobile experience.

The first one is coverage; and by coverage it is of course not only outdoor coverage, where most operators are currently reaching full coverage for 4G, but it is very much a focus on indoor and mainly deep indoor, where there is still a significant difference between the high deep indoor coverage of Proximus at 92.4% versus the rest of the market.

Another big focus for us is the voice; voice quality and it is about ultra HD voice and it is also about fastest call set up and that is through HD voice on 3G but mainly Volte on 4G that really gives a much better voice quality than you would have without those new features.

And the last one is on the video, where for us it is extremely important as usage of video is increasing, to provide the best video experience to our customers. And there you can see the results of open signal that were done at the end of 2018 and where the Proximus results are very good and one of the best in Europe.

Next to the experience, you also see that we continue to invest in mobile to cope with the very high increase of Internet traffic. You see an increase of Internet mobile traffic of around 70% per year and you see an average per use increase of 50% yearly, coming to an average use of 2.2 gig at the end of 2018.

I will now hand over to Sandrine for the financials of the full year 2018.

Sandrine Dufour: Thank you Dominique, good afternoon everyone. Let me start with the financials zooming on our domestic revenue for 2018. So we have closed the year with a stable revenue, which is in line with the guidance that we had given for 2018. If you look at the right part of the chart you see the biggest building blocks where we had stable revenues for the Fixed services, where you see that we've

grown the revenue from the Internet and TV, supported by the growing customer base. But this is offset by the ongoing erosion in the fixed voice.

We had an increase in the ICT revenue that is including the acquisition that we've done to strengthen the enterprise portfolio. The revenue from mobile postpaid was positive in 2018, which was as well driven by the net customer growth that we achieved, and this is despite the negative impact that we suffered in the first-half of the year with roam like at home. And the prepaid revenue was down year-over-year, partly because as well we actively encouraged our customers to migrate from prepaid to the postpaid offer.

Looking at our domestic OPEX, those were stable in 2018 and what we want to explain here is that our OPEX are increasingly including expenses, which are related to what we call billable head count in the ICT business. It is a bit of a different dynamic. These are costs, which are linked to the employees that are performing the ICT services, so the enterprise customers, and that we are invoicing with a margin. So since we've been expanding our ICT service with acquisitions but also with our strategy to grow the ICT business mechanically, this type of billable ICT OPEX is growing.

And so that's why for the sake of clarity we've put on the chart, we've broken down for you on the chart the OPEX in two categories and the purple bar is showing to you the OPEX evolution when we exclude the billable ICT OPEX. And on this part we've been able to decrease over the years through the company wide efficiency programme and in three years we decreased this level by nearly €148 million net OPEX reduction, but part of this has been offset by the ICT direct OPEX, so what we call the billable OPEX.

And I should highlight as well the thin green colour, which is on top of the 2018 bar, which is linked with the perimeter impact. As you know we've made some acquisitions and with these acquisitions that has added as well extra costs to the tune of 1% of our total cost in 2018. So net/net our net reduction in OPEX over the last three years has been €115 million.

Now looking at the domestic EBITDA, we have improved the domestic EBITDA since 2015, as is shown on the chart on the left side. We now have an EBITDA margin of 38.4%, which is an improvement of 2.5pp compared to 2015 and in 2018 the domestic EBITDA was up 1.9% and, as you can see on the right part of the chart, this was driven by the good result in direct margin and with the OPEX being flattish for the year, again including the impact of acquisitions.

Moving to the BICS results, our subsidiary, our international carrier of service subsidiary, the result in 2018 was an EBITDA of €154 million; this is a growth of 7.7% versus 2017, which is largely driven by the integration of TeleSign; remember we made the acquisition in November 2017. And on the right chart you can see that BICS growing segment result is coming from a higher direct margin, largely extended by TeleSign, which is partly offset by higher expenses, which is including as well the OPEX of TeleSign.

We can say that the integration of TeleSign has been successful. We have been able to deliver the synergy that we were expecting. We have seen a significant increase in the volumes of what we call the A2P, so the application to person businesses. We have grown as well in the mobile identification and we were able as well to integrate between BICS and TeleSign an improved messaging unit margin through the reduction of the costs.

So this is visible and reflected in the higher non-voice direct margin on the chart and this is compensating the pressure that we see on the more traditional segments such as voice and traditional messaging. So again here as a percentage of revenue you see that we grew in 2018 up to 11.4%, which is an improvement over the previous two years.

Now looking at the group EBITDA, it is up for the year by 2.4%, which is within the guidance, which was between 2-3% and you can see that it is fuelled by the improvement of the domestic business as well as BICS on margin, and the EBITDA margin progressed as well to 32.3%, which is an improvement of 3.3pp versus 2015, when we launched our cost reduction programme.

One zoom on our CAPEX, so the full year 2018 we invested a bit more than around €1 billion, €1.19 billion, which includes the investments that you see are listed on the right. I think to highlight the fact that of course fibre is taking a larger portion in our annual CAPEX envelope, but we of course continue to invest in mobile, in IT, in content. And we have just highlighted as well the fact that we have seen in 2018 an uplift in the CAPEX dedicated to the road works, and this was a level, which is higher than usual, and that we explained by a period of election year, which had triggered more road works than usual.

So on free cash flow, when we compare 2017 and 2018, we have the impact of M&A, of acquisition and that is why we have excluded for both years the impact of the M&A, so as to compare a more normalised free cash flow level. And you see that for 2018 this normalised free cash flow level amounts of €501 million, which compared to €517 million for 2017. And with the waterfall, you see the main moving parts.

So the biggest one is the cash paid for CAPEX, and here I think it is worth explaining that in 2017 our CAPEX programme was very much back end loaded, which means we had a big impact in Q1 this year of cash related to accrued CAPEX in 2017, while in 2018 the CAPEX was much more linear. And so we had to carry both the impact of end of 2017 and the 2018 cash impact for CAPEX and that is explaining the big €110 million that you see here, that we were able to mostly compensate with the growth of EBITDA as well as a very active management of our working cap. What is not visible on this chart is that we also carried out approximately the same amount of building disposals in 2018 versus 2017.

And so that takes me to the delivery of the guidance where we can say that we've achieved our guidance in all dimensions of the underlying revenue where we are flat. The group underlying EBITDA we guided between 2-3% and ended at 2.4% and CAPEX around €1 billion. So we are, with the cash flow generation, in the position to confirm the coverage of our dividend of €1.5 per share for 2018. And with this let me give back the floor to our CEO.

Dominique Leroy: Thank you Sandrine. I think now let me take you quickly through the highlights of our strategy 2019/2021 and while we have used our fit for growth strategy over the last five years, that I think has delivered good results with four consecutive years of revenue and mainly EBITDA growth, we want now to really become a fully customer-centric digital company and we have given ourselves three years to really become that. And I will try to highlight a bit what we mean by a truly customer-centric digital company.

First, for the residential customers, our will is really to come on the first screen of every smart phone in the country and by that we really want to be relevant for our customers and that people really actively choose Proximus for what we offer. And the main element to create that relevancy is that we want to become the gateway to people's digital content and passion.

And so the purpose is to bring a new TV app that you can use on all your devices. So that it will be a multi-screen approach; it will be through the app but also through tablet and you will have an equivalent on your PC and, to a certain extent reflect the new interfaces on your TV screen, with the purpose to have gateway to various contents, so a really integrated content platform. To have that with personalised and contextualised experience and to be able to sustain and highlight way more targeted advertising, so that we can also try to be more pertinent for our customer, more relevant for our customers, and also tap partially in the targeted advertising revenue pool.

Also linked to that I will give a bit more information on our latest news of epic combo. Epic combo will be launched as a third variance of our epic segment on 2nd April. The purpose of epic combo is to really target millennials that want to have Internet permanently; Internet out of home, so through mobile subscription but also Internet in home through a fixed Internet availability and through that Internet having the opportunity to go into their apps, to go into their music and to go into their content, where one of the content gateways next to the Netflix and the YouTube will be TV everywhere through the Proximus TV app.

So I think we have there a proposition that is very relevant for millennials. Next to all the Internet and the free access to apps you will also have some extra gigabytes and some extra voice minutes, so that people can still call of course; but the main purpose is to have something very specific. And you know that we currently have epic stories, which is access to apps, epic beats, which is access to music and epic combo that will offer you access to all your features being conversation, music and videos.

For our small enterprises I think there as well we want to go further then pure connectivity and the recent launch of BIZZ online is reflection of that, where we really want to be different from other operators by offering business continuity, premium servicing, with a big number of specialised BIZZ experts at the service of our customers and also some specialised third-party ICT and telecom agents.

But also to make sure that small enterprise, where in Belgium they still have quite a lot of difficulty to be present online, that we offer them presence, but not only presence but also active referencing and active presence with the whole search engine and activation engines behind offer by the services of Proximus.

In the bigger enterprise, so the enterprise customers, we have built a lot of building blocks through our acquisitions; the purpose now is really to bring all those building blocks into smart solutions that offer seamless digital experience to some segments of the enterprise business.

You see here six segments that for us are our priority segments; being the smart industry, smart retail, smart energy, smart logistics, smart building and smart city.

Also on the digitalisation, the shift to digital needs to bring us to another level; we want our call centre agents becoming more and more digital coaches of our customers and really increase the digital adoption, both internally as well as externally. We are building a full digital servicing journey on the My Proximus app; also it needs to become a more experience stores where people can discover all the new content world of Proximus and less a store where you can buy connectivity.

As I said for enterprise this is not only bringing you solutions but also making sure that all enterprise customers can activate them through a seamless and digital portal and digital experience. Internally there is a lot of work going into hiring and re-skilling mainly of our workforce so that the digital adoption is not only by our customers but very much by our own employees.

And, of course, on the network we have started and we are in line with bringing a virtualisation and softwareisation of our network and we have now several applications already running on the Telco Cloud.

If we look at also our ambition; next to the digitalisation the ambition of transformation is also to reduce cost and we have highlighted an ambition to reduce our costs by €240 million gross OPEX savings in the next three years. You can see here a few highlights on what are the means we will put forwards to reduce workload first and workload that should be translated into workforce.

I think that is something that you can see in a lot of companies, but it is about simplification, it is about digitalisation, it is about automation but it is also looking for supply efficiency and all deflation, which will be the main drivers of our cost reduction.

If I want to give a bit more highlights on the gross to net, because I know that is a question that is living a lot in the market. So the €240 million are gross OPEX savings. Of course they will not come back to net because you always envisage inflation, and more particularly index with inflation every year, but you also have high-energy price and energy inflation, which is a part that will eat part of the gross savings. Another part is that we still plan for volume improvement and mainly also more networks, both the fibre and the mobile network that will drive some extra costs.

Of course we are also decommissioning and simplifying but the rhythm of both is not always in parallel, which will lead us to a certain amount of net savings. But the net savings, as Sandrine has explained, will also potentially partially be reinvested in ICT growth, being the billable part of ICT that we will continue

hopefully to expand in the coming years; part of it mechanically through the acquisition but also part of it through the growth of those new businesses.

That brings me to the final message, which is our guidance 2019, where we issue a guidance, which is nearly stable for our domestic underlying revenue, stable in the group underlying EBITDA, and there we have said that we will see normally a slight growth for the domestic EBTIDA, but it will be compensated by a negative growth on BICS, mainly driven by the renegotiation of the MTN commercial agreement that has an impact on BICS and that is mainly linked to the fact that MTN is wanting to do the wholesale part of some regional routes, mainly in Africa and in EMEA themselves.

CAPEX is foreseen to remain stable. Of course we will continue to develop our fibre to the home but within a stable envelope. And one element that we also want to mention, potentially more on the revenue and profit side, is that we still are having regulatory measures in 2019 that will impact both our revenue and margin by another €20 million, mainly linked to fixed termination rates reduction and linked to international calls, which is the biggest part.

We guide also on the dividend and I think we are happy to say that we are, we expect to return €1.5 per share in line with the guidance of three years that we have announced in December 2016.

All those numbers are under IFRS 15, which will of course as you know change a bit the references, the new accounting system that we have restated all the 2018 figures to what IFRS 15 and I think for Proximus the changes are relatively small, but still the figures here are fully under IFRS 15.

With that I think I hand over to the Q&A session and to the operator for the Q&A. Thank you.

Operator: Thank you. Ladies and gentlemen, if you wish to ask a question please press the code 01 in your telephone keypad and you will enter the queue. After you are announced please ask your question. We kindly ask you to use microphones or headsets when asking your question. We have a first question from Emmanuel Carlier from Kempen, please go ahead.

Emmanuel Carlier: Hello, good afternoon, this is [inaudible] speaking on behalf of Emmanuel Carlier. My first question is, since more and more consumers no longer need the fixed line telephone or TV product, do you expect unbundling? And the second question is, where do you expect cable and fibre wholesale rates to settle? Thank you.

Dominique Leroy: So perhaps start with your second question, I mean the price, the wholesale price of fibre and cable; I mean there has been a first view on the cost model that has been issued by the regulator and we have been able to introduce our remarks on that for the middle of February. We have done that. Our expectation is that BIPT will now work through all those remarks and will at the earliest come up with a new proposal in the second half of 2019. So there is still some time to go before we can have a definite wholesale price for cable and fibre.

Guillaume Boutin: On the first question you were speaking regarding, the question was regarding the fixed line and key product and if there was interest of getting rid of the fixed line and getting rid of the set top box and TV product.

The first element of answering that today we already are referring the wide range of the products being from 1P to 4P. This is one second we are already, as Dominique explained, fully engaged in our segmented strategy, where we have specific offers for specific segments and we do believe that we are well-armed with our Tuttimus offer for families, our Proximus business offer for the small enterprise segment, our epic offers for generation Z and millennials and our scarlet offers for the smart shopper segment, that we could answer to all the different needs of the market. And this multi-brand strategy gives us an edge compared to other players in the market.

Operator: Our next question is from Nicolas Cote-Colisson from HSBC. Please go ahead.

Nicolas Cote-Colisson: Oh hi, thank you. Regarding the three-year plan and the consultations you are currently running, I was wondering how much of the €240 million savings is predicated on job cuts? What is the government position at present? And can actually a final plan be put together now and still be future proof given the elections in May? And my second question maybe to Dominique, and I am sorry if it is a bit of a direct question, but do you intend to go for another term next year? The reason for asking is that putting together a three-year plan; it would be pretty helpful if you were there to look after the plan over the next three years. Thank you.

Dominique Leroy: So on the, I mean the, I thought you also asked some splits on the €240 million savings. I think the split between workforce and non-workforce is relatively in line with the current split over OPEX; so I think a bit more than half is on our internal workforce and a bit less than half is on external workforce and non-workforce costs. So I think the effort is coming both from our own workforce costs but also from what we buy externally.

I mean where are we in the negotiation with the social partners? I think so far we are still in the information and consultation phase. We have had ten full days meeting with the unions; so I think all in all the discussions are constructive. It is of course a lot of information because what we bring forward is two-fold. It is of course a plan to reduce workload and hence workforce but it is also a plan to change our social framework and adapt some of the HR rules, where we are still confronted with rules that date back from the time we were a fully public company and there is of course a phase where the unions can ask a lot of questions.

I think so far we have received around 500 questions from them that we answer. I think it is greater and greater transparency. So I think so far we are not yet in the negotiation phase; we hope that we will be able to get there in the coming weeks or months.

Input from government or others in the process, I would say none. I would say in the beginning there has been a lot of news also in the press on the announcements and to be honest it has been the case because there has been a leak and we have not been able to properly manage the communication. So there, at that moment there have been a lot of questions from government to say, what are you doing? Why are you doing it?

They have been asking questions of the management and also questions to the social partners, but I think we have been able to explain why we do this? That is it a transformation plan where we really want the company to shift to a new gear to be able to answer the demand of the customers and to be able to really adopt the digital shift that we see happening in the market.

And next to certain people that will leave the company we will also hire new talent and have some substantial reskilling and retaining availability for our workforce. So I think for the time being the discussion stays within social partners and management and it is planned to continue like that. I don't think there will be further input or intervention from government and not even in the context of election. Because what you need to know is everything that we want to do in these plans is something we can do in the current law, or the current rules from the government.

What we want to change when we talk about changing social framework and HR rules are things that are rules have been within the company and can be changed within the company without any intervention of government. So the fact that we are in election period should normally not impact the dialogue that is independent from any law changes that would be needed to implement it.

So concerning your questions on my mandate, I think it is true that my official mandate of six years comes to an end in January 2020. I think we have indeed engaged on a new strategy, which is called shift to digital, with a lot of transformation and so my intention is indeed to try to lead that transformation strategy and to see some of the results of that strategy. I am not saying that I will take another six years but I think I will indeed want to prolong a few years my mandate to be able to finalise the transformation and see

the results of it. Of course I am not the only one to decide, it will depend on our Board of Directors and our General Assembly.

Nicolas Cote-Colisson: Excellent. Thank you.

Operator: We have a next question from Ruben Devos from KBC Securities. Please go ahead.

Ruben Devos: Yes, good afternoon. I have two, basically the first one on the mobile ARPU revolution and the somewhat weakening trends versus that of the first nine months. Would it be possible to provide some colour on that? I mean we have seen the launch of unlimited offers in November and promotion of the event, so to what degree has that impacted that trend? And is there reason to believe that as long as you stimulate up tiering with the unlimited offers that that development could steadily outweigh the low out of bundle revenues you are seeing.

And then secondly, on 5G, I guess in the past few weeks there has been a lot of news flow around the delay of 5G; new players announcing their interest to participate in the auction and then a potential decoupling between the renewal of existing licences and 5G. So it would be great if you could share your thoughts on these developments and maybe what sort of risks you see, given that this 5G marketplace seems to have become quite crowded. Thank you.

Guillaume Boutin: On the mobile postpaid it is true that compared to the fourth quarter of 2017 postpaid mobile arpu has been decreasing and this can be explained by the following: first, we have seen a material erosion of the inbound traffic following further usage of OTT applications. But this as you know has very limited impact on margin.

Second, we saw as well an erosion of roaming value, mainly due to a 2017 positive one off and also a change of consumption patterns that are for countries out of Europe and also international calls. But what is very important to note is that out of bundle consumption, following the adaptation of our offers portfolio to stay competitive in that market, has been nearly completely compensated by structural value entries on a recurring subscription, including the joint offer effect. So this is for the last quarter of this year.

If you look into 2019 and if you look at comparable basis, so under IFRS 15, and if you exclude the impact of regulation on international of course, and if you also include the continued trends in inbound revenues, as I said with no impact on margin, as we speak we are confident that we could stabilise our postpaid ARPU versus what you saw in Q4 2018.

For sure when you will go into IFRS 15 you will see an improvement of the total value related to the mobile business but with a shift to device renewals linked to the increase of the joint offers. This is what I think we can say on mobile postpaid.

Dominique Leroy: Okay, so on the 5G, so I think it is all linked to the spectrum auction. And I think the spectrum auction just as a refresh has three main components. You have a new band on the 700 megahertz that should be auctioned, a renewal of the existing 900, 1800 and 2100 spectrum bands and a new 3.X, or 3.5 band, which is mainly that one that we are looking for with 5G.

So currently the discussions at the government side are blocked. There is still one potential consultation between the federal and the regions at the end of March; either there is an agreement there and it can move forwards and then we can hope that we can still have some more visibility in the year 2019. If it is not the case the auction will come on the plate of the new government so that will be probably late in 2020 before we can have the new auction.

So you said it's crowded. I think there are two elements. There is on the 700 and the renewal still the pre-auction for a new mobile entrant which is of course still on the table and where, together with all operators, we are really not happy with. So that is currently still on the table and that is where you see the risk of a potential fourth entrant coming mainly in the current 4G, potentially 5G space.

But on the 3.5 you have no pre-auction, that's new band, 400 megahertz that will be auctioned where logically you will have the three current operators that will all go for a part of it, and if we are more than three it is capped at 100 megahertz, so there you will see that there is still indeed the opportunity for potential other players to take part in the auction, without a pre-auction, but to take part in the auction to get a piece of the last 100 megahertz available.

I think you see today that there are already today some players having some extra spectrum and more wanted 2.6 and some on the 3.5 and I think those players are very often smaller players that use it either on a regional basis or on the specific basis for some usage more in industry. So I think that will still remain there and I think it will not be that much different from what we have now.

What we say, and what we tried to suggest, if you try to auction the 3.5, if everything is blocked, see if we can indeed already auction the 3.5 earlier because from an enterprise perspective, I think it is not true on the consumer side but from an enterprise perspective there are some enterprises that are asking us to start implementing, testing the 5G for specific use cases.

So the position of Proximus being quite a strong player in the B-to-B segment is probably a bit different from the other operators. Where for us we think it is important that we can move forwards with 5G, mainly in the 3.X bands, so that we can further help our enterprise customers in their digital transformation alongside our strategy by providing them some specific use cases on the 5G.

But the chance that that happens in this year, I think it is relatively limited as there is currently no agreement between the federal and the regions, mainly on the split of the spectrum auction proceeds, and that there is also some questions on the impact of a potential fourth entrant on environment and on emission in Brussels.

Operator: Our next question is from Matthijs Van Leijenhorst from Kepler Cheuvreux, please go ahead.

Matthijs Van Leijenhorst: Yes, good afternoon. A couple of questions from my side; first on CAPEX, you presented your three-years targets until 2021 but you haven't said anything regarding CAPEX, so could you please give some colour on how your CAPEX profile is going to look like, taking into account the fibre deployments, yeah, that's the first question.

The second question is how would you describe the competitive environment? Because you are about to launch this millennial proposition called epic combo; Telenet recently launched the same proposition called YouGo and also Orange Belgium is about to launch a proposition focussed on millennials. So how would you describe the competitive environment and how big is the market you want to address?

And on top of that, and last but not least, just a more general question; obviously the 5G spectrum will be delayed most likely but in the long term view, but what kind of CAPEX do you expect to see related to 5G, related to the 5G roll out? Those are my questions.

Sandrine Dufour: Okay let me, it is Sandrine, let me answer to your question on CAPEX for the three-year plan. Well in the current status we don't expect to see a difference, it should be in line with what we've done for the future year, unless, and we've said this I think consistently over the past quarters, unless we would decide to potentially accelerate the roll out of fibre.

And what we have always said, if we were to decide on that is that we would fund this acceleration with the balance sheet. As you know, we have a very low leverage and we can fund a potential acceleration without increasing further our level of debt. But so far it is not something that is decided and in that respect CAPEX in the future is in sync with what we've done in 2018.

Guillaume Boutin: On competition for the consumer market, we do foresee a market that would remain competitive in 2019 and especially on the broadband market. When our first 1P and/or 2P have been

announced, or will be announced by competition. But we do believe that we, I will answer as I said, and which again should show good resilience thanks to our segmented and multi-brand strategy because we think that segmenting the market helps safeguarding a lot of value for the most valuable segments that are today within our customer portfolio.

Matthijs Van Leijenhorst: Sorry to interrupt, but how big is this market, this millennial market in terms of households?

Guillaume Boutin: For the epic customers, you know, the millennials, they represent 25% of the total population; much less in terms of households, so we see that this is between those numbers, less than 15% of the households probably.

Matthijs Van Leijenhorst: And in terms of pricing? YouGo is launched at...

Guillaume Boutin: We are not going to disclose the pricing of our epic combo today because it is going to be launched 2nd April so we would like to wait before announcing pricing to the market.

Dominique Leroy: So perhaps on 5G, on the high level, and if you have more questions we can have Geert explain you, but I think on the next three years we see 5G pretty much as an additional layer on the macro cell. So in that sense we don't expect massive increase of our CAPEX amount compared to what we currently spend on the mobile. So it is more an evolution within our mobile envelope where we will shift some investments that we do today on the 4G towards the 5G and as I said, we will mainly have a deployment of macro cell in the coming three years, so there should not be an important impact on the CAPEX and we should stay around the envelope that Sandrine mentioned earlier.

Matthijs Van Leijenhorst: Just one final question. This fibre roll out plan, you launched it late December, or announced it and at the time you provided also some, your roll out ambition, so 85% coverage within B-to-B within 10 years and 50% for the B-to-C market within 15 years, are you still committed to these percentages, within targets?

Dominique Leroy: Broadly I think we stick to these numbers for the time being. So we want to cover, we said 50% of fibre to the home; we also say all the cities and communes centres, because that's sometimes a bit sensitive in the country. So we want to go through all the communes and city centres and by that we will cover around 50% of the population because we will not go to all the outskirts where it doesn't make sense economically.

For enterprise we have changed a bit the approach as we explained on the multi-sites. So the purpose will be that we will still be available for 85% of the eligible enterprises. So depending on the demand we will not do pre-investments everywhere but we will be available, so if we get demand we will deploy fibre toward 85% of the enterprises. So that's the small nuance I would put because we have seen that for multi-sites, doing all the pre-investment is too costly. But the objective is still to be able to cover 85% of the enterprises.

Matthijs Van Leijenhorst: Thank you very much.

Operator: Our next question is from Ulrich Rathe from Jefferies. Please go ahead.

Ulrich Rathe: Yes, thanks very much. I just have a few questions. The first one is could you comment a bit more on the potential size of that MTN impact, the order of magnitude or scenarios or however you want to go about that? The second question is on the out of bundle issue that you mentioned there, could you give us a sense of how much out of bundle there is still left within the revenue mix. The third question is, is actually fibre, residential fibre offered outside of Proximus's brand or is that restricted to the Proximus brand? And the last question is on the 5G auction, sort of you highlighted the scenarios, so could you put likelihoods on this? So how likely do you think is it that we will get the sort of split of the 3.5 gig auction

or that the whole thing is going to get kicked down the road and we're just going to have to wait for a new government? Thank you.

Sandrine Dufour: So on your first question on the impact of the renewal of the commercial agreement with MTN, the implementation has not started yet so there is still a bit of uncertainty as to the progress and the reason by which this has been employed by MTN. But ballpark what we see is that we could, at the level of the EBITDA of BICS, go back to the level of 2017. That is the order of magnitude.

Guillaume Boutin: On the second question regarding out of bundle, I think we will not disclose the proportion of out of bundle within our mobile ARPU but as I said, the small decrease in our out of bundle traffic has been totally compensated by the increase of the subscription fee over the last month.

Dominique Leroy: And so on the fibre, as fibre today is already around 14 – 15 wholesale agreements; so fibre as we deploy it is certainly not reserved for Proximus brand. I mean fibre is for Proximus but also for wholesale customers, so in that sense we want to monetise fibre on our own portfolio but also on the portfolio of wholesale and fibre is open. And the only thing that will still need to be decided in line with the first question is that the price will be verified by the BIPT based on their current cost plus model that they are developing, most probably in the second half of 2019.

On the likelihood of the 3G auction still this year, I think it is low. To be completely honest I think we are still trying to see if there is an opportunity but I think the chance that it will be auctioned this year is low seeing the current political context and the very little time that we still have a government in current affairs.

Ulrich Rathe: Thank you. Can I just follow up, when I asked about availability outside of the Proximus brand I meant within your own brand portfolio.

Dominique Leroy: Yeah, I think that is too early to say. We will see as we move how we combine that. I mean for the time being the scarlet brand is on copper and it stays on copper for the time being.

Ulrich Rathe: Thank you very much. Thank you.

Operator: Our next question is from Michael Bishop from Goldman Sachs. Please go ahead.

Michael Bishop: Yes thanks, good afternoon. Just two questions from me; firstly, it looks like quad play isn't resonating as well as it used to in terms of the year-on-year growth that you had on one of your slides. So I just wanted to ask a sort of bigger picture question given the lengthy discussions already around the addressable market for the millennial and Gen Z tariffs.

I mean is the quad play dream dying a bit from here, because ultimately one of the main benefits of quad play was that it could materially lower churn and obviously that would be good for margin. So I just wondered if you could comment from a bigger picture perspective about how we should think about quad play growth, churn in relation also to the millennial opportunity.

And then secondly a lot of telcos, including yourselves, seem to be beefing up your B-to-B businesses with lots of small bolt on acquisitions and clearly that often means that the dividend isn't covered in any one year, like this year, or fully covered. So I was just wondering how much more, or how many more acquisitions do you think you need to do in B-to-B to get the necessary scale and I guess sort of unique selling points? Thanks.

Guillaume Boutin: To your question on four play, what we saw over the last quarter, in Q4, we haven't noticed any kind of slow down in the trends of new, or gross gains within our hero packs being Tuttimus and BIZZ Online. So we still see a very nice traction for 4P offers for a large segment of the population in Belgium, which is still very good. For sure, in terms of net additions, the growth is a bit streamlined down because of the size of the customer base but the traction is still there for 4P offers.

On the millennials question, for us we see our Proximus epic portfolio as an opportunity to regain shares on a segment where Proximus used to be a little bit less good in terms of penetration. So the objective of the epic range is to get back to the fair share in terms of penetration of Proximus within this segment. So we see that as an opportunity to grow.

Michael Bishop: Could I just follow up there, because if we look across at the good Orange Belgium results they clearly had very strong postpaid mobile net adds, well in excess of the contribution that they would be getting just from the fact that they are adding converged customers. So is that the segment that you are referring to? Is that the sort of dynamic, given we're in pretty much, well a fully penetrated market?

Guillaume Boutin: I think I will not comment too much on the Orange performance of last quarter but what we see is that Orange and Proximus are gaining customers and, sorry scarlet and Proximus are gaining shares on the market. Orange is also gaining shares but other players are obviously not having the same dynamics.

Michael Bishop: So just to follow up on the churn, because if this quad migrate is really slowing, presumably your expectation would be that the churn of a quad play customer would be a lot lower than the churn of a skinnier bundle, or do you think these skinny bundles can have a similar churn profile to all-singing, all-dancing quad play? Thanks.

Guillaume Boutin: So as you saw in the number that we disclosed, the 4P churn is still very, very low compared to 3P, 2P and 1P, which is fully in line with what we want to achieve. Of course when we can have 1P and 2P offers the churn rate for those customers is going to be a little bit higher, but that is not worrying, that is just a segment of customers that will have a higher churn, as we do have today for some] customers. So we have to cope with the different segments and the behaviours that are different from different segments of the population.

And, as you saw, our mobile postpaid is also decreasing, despite the fact that Orange on mobile postpaid has had a good quarter.

Sandrine Dufour: Okay, on your second question regarding B-to-B acquisitions. So we are not currently examining any potential new acquisitions but we do not exclude to seize tactical opportunities. We view these acquisitions as a way to enrich our portfolio of solutions in the enterprise and the ICT domain. We are focussing on value enhancing acquisitions but also to enlarge the extent of our connectivity business.

In terms of dividend coverage, our policy is to cover our dividend with the free cash flow including the impact of acquisition, I want to emphasis the fact that we have a balance sheet, which gives us the opportunity to fund these acquisitions without having a big impact on the solidity and the strength of the balance sheet.

Matthew Bishop: Great, that's all really helpful, thank you.

Operator: And our last question is from David Vagman from ING, please go ahead.

David Vagman: Yes, good afternoon everyone. Thanks for taking my question. First on BICS, could you come back on the MTN in outsourcing and explain a bit the dynamic here? Is it something that might happen with other clients or not at all, is it just a one off? And then about promotional activity, would you think that your promotion spending will be higher this year than last year given the more competitive dynamic in the Belgian market? Thank you.

Daniel Kurgan: Hi, good afternoon this is Daniel for question one. No, we don't think this is something, a new trend in the market. I would say it is more the opposite. We are seeing more and more out sourcing initiatives. Here the background is that MTN has invested a lot in terrestrial and some marine cable infrastructure across the Middle East and Africa where they have their core operations and that they want

to leverage on these significant investments to manage now things themselves that were outsourced to us. But we certainly don't see this as a market trend.

Guillaume Boutin: On the markets, as you saw in 2018 the market has been already extremely competitive and we do not foresee any change in 2019. So it means that for our marketing spend and promotional activities it is going to be similar to what you saw and what we did in 2018.

David Vagman: So no change in spending on promotions basically compared to last year?

Guillaume Boutin: I am not going to disclose everything that we are going to do in terms of promotional activity but we are not foreseeing, we do not foresee any major changes.

David Vagman: And maybe a last follow up on the commercial dynamic, do you expect let's say the slightly better commercial dynamic on mobile to continue into Q1 and the rest of the year? On mobile postpaid I mean.

Guillaume Boutin: I think it is the same answer to the one I just gave on the global market.

David Vagman: Okay, thank you.

Nancy Goossens: If there are no further questions I think we can end the call with this. Thank you very much all for your participation. Should you have follow up questions you can obviously contact the investor relations team. Thank you for your participation and a good weekend.

Operator: Thank you. Ladies and gentlemen this concludes today's web conference, thank you all for your participation, you may now disconnect.